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Sobyanin Building Freeze Raises Housing Prices

By Bela Lyauv

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Rapidly changing policy under Mayor Sobyanin has a sometimes bewildering effect on the real estate market. **Igor Tabakov**

Mayor Sergei Sobyanin has forbidden new construction in downtown Moscow.

"A decision has been made to limit to the maximum, essentially prohibit, new construction in the city's downtown," Sobyanin said.

Within three years, the majority of new constructions in the city's center will be completed, several will be redeveloped, and instead of malls there will be hotels, apartment buildings and homes. In already built-up areas, only dilapidated and damaged buildings will be replaced. Mass construction will continue in a limited number of neighborhoods — and only with adequate transport infrastructure.

The mayor's announcement has already impacted the market. Investors are returning, said

Alexei Belousov, commercial director at Capital Group. Although few buildings are close to being finished on the primary market, the cost of contracts at Capital Group rose about 5 percent in February and installment plans have acquired stricter terms.

Many developers have increased prices 2 to 3 percent and shrunk discounts 5 to 6 percent, Julian Gutman, director of new constructions at Inkom-Nedvizhimost, told Vedomosti. Prices could stay the same, but customers are no longer being offered the same discounts.

Glavstroi has raised prices 5 to 6 percent since January, spokesman Vitaly Korolyov said. In Don-Stroi Invest there is talk that prices — depending on demand and stage of building completion — have grown 5 to 10 percent already this year. PIK Group has raised prices 1 percent each month this year, press service chief Dmitry Ivliyev said.

The Tsaritsyno and Bogorodsky complexes, which are approaching completion, have seen prices rise 5 to 7 percent, said Irina Naumova, marketing director at NDV Nedvizhimost. Since December, demand for apartments has grown about 15 percent, she said.

The market has picked up, Best-Nedvizhimost president Grigory Poltorak agreed. But the price growth is natural. "Everything is getting more expensive — there's inflation, taxes are going up — and developers need to get a return on their investments," he said.

Several buildings have seen prices rise 25 percent — but only for previously below-market offers, said Vladislav Lutskov, general director at the market watcher Miel.

"Everyone understands that the amount of construction will not rise — on the contrary, it will perhaps decline," Lutskov said. "The average customer is moving out of Moscow. Up to 25 kilometers outside the Moscow Ring Road, 40 percent of the customers are Muscovites."

According to IRN.ru, the dollar price per square meter has risen 3 percent to $4,638, while the ruble price has declined — from 137,364 to 130,652. "In the coming months, the cost of housing is not expected to skyrocket," IRN.ru director Oleg Repchenko said. "The rally will begin in the second half of the year, just before the elections, as in 2004 and 2008."

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